



General Assembly

January Session, 2001

Raised Bill No. 6836

LCO No. 4007

Referred to Committee on Public Health

Introduced by:
(PH)

***AN ACT CONCERNING THE DEPARTMENT OF SOCIAL SERVICES
PAYMENTS FOR HOSPITAL INPATIENT AND OUTPATIENT
SERVICES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 17b-239 of the general statutes is repealed and the
2 following is substituted in lieu thereof:

3 (a) The rate to be paid by the state to hospitals receiving
4 appropriations granted by the General Assembly and to freestanding
5 chronic disease hospitals, providing services to persons aided or cared
6 for by the state for routine services furnished to state patients, shall be
7 based upon reasonable cost to such hospital, or the charge to the
8 general public for ward services or the lowest charge for semiprivate
9 services if the hospital has no ward facilities, imposed by such
10 hospital, whichever is lowest, except to the extent, if any, that the
11 [commissioner in his] Commissioner of Social Services in the
12 commissioner's discretion determines that a greater amount is
13 appropriate in the case of hospitals serving a disproportionate share of
14 indigent patients. Such rate shall be promulgated annually by the
15 [Commissioner of Social Services] commissioner. Nothing contained

16 [herein] in this subsection shall authorize a payment by the state for
17 such services to any such hospital in excess of the charges made by
18 such hospital for comparable services to the general public.
19 Notwithstanding the provisions of this section, for the rate period
20 beginning July 1, 2000, rates paid to freestanding chronic disease
21 hospitals and freestanding psychiatric hospitals shall be increased by
22 three per cent. For the rate period beginning July 1, 2001, and each
23 succeeding rate period, rates paid to freestanding chronic disease
24 hospitals and freestanding psychiatric hospitals shall be equal to but
25 not exceed rates for the preceding rate period, plus an inflation factor
26 equal to the Medicare market basket inflation rate as published in the
27 previous September Federal Register of each year with the wage
28 portion of such market basket adjusted for the Hartford metropolitan
29 statistical area.

30 (b) Effective October 1, 1991, the rate to be paid by the state for the
31 cost of special services rendered by such hospitals shall be established
32 annually by the commissioner for each such hospital based on the
33 reasonable cost to each hospital of such services furnished to state
34 patients. Nothing contained [herein] in this subsection shall authorize
35 a payment by the state for such services to any such hospital in excess
36 of the charges made by such hospital for comparable services to the
37 general public.

38 (c) [The term "reasonable cost" as] As used in this section,
39 "reasonable cost" means the cost of care furnished such patients by an
40 efficient and economically operated facility, computed in accordance
41 with accepted principles of hospital cost reimbursement. The
42 commissioner may adjust the rate of payment established under the
43 provisions of this section for the year during which services are
44 furnished to reflect fluctuations in hospital costs. Such adjustment may
45 be made prospectively to cover anticipated fluctuations or may be
46 made retroactive to any date subsequent to the date of the initial rate
47 determination for such year or in such other manner as may be
48 determined by the commissioner. In determining ["reasonable cost"]

49 reasonable cost, the commissioner may give due consideration to
50 allowances for fully or partially unpaid bills, reasonable costs
51 mandated by collective bargaining agreements with certified collective
52 bargaining agents or other agreements between the employer and
53 employees, provided, for purposes of this subsection, "employees"
54 shall not include persons employed as managers or chief
55 administrators, requirements for working capital and cost of
56 development of new services, including additions to and replacement
57 of facilities and equipment. The commissioner shall not give
58 consideration to amounts paid by the facilities to employees as salary,
59 or to attorneys or consultants as fees, where the responsibility of the
60 employees, attorneys or consultants is to persuade or seek to persuade
61 the other employees of the facility to support or oppose unionization.
62 Nothing in this subsection shall prohibit the commissioner from
63 considering amounts paid for legal counsel related to the negotiation
64 of collective bargaining agreements, the settlement of grievances or
65 normal administration of labor relations.

66 (d) The state shall also pay to such hospitals for each outpatient
67 clinic and emergency room visit a reasonable rate to be established
68 annually by the commissioner for each hospital, such rate to be
69 determined by the reasonable cost of such services, but the established
70 rate for an outpatient clinic visit shall not exceed one hundred sixteen
71 per cent of the combined average fee of the general practitioner and
72 specialist for an office visit according to the fee schedule for
73 practitioners of the healing arts approved under section 4-67c, except
74 that the outpatient clinic rate in effect June 30, 1992, shall increase July
75 1, 1992, and each July first thereafter by no more than the most recent
76 annual increase in the consumer price index for medical care. The
77 emergency room visit rates in effect June 30, 1991, shall remain in effect
78 through June 30, 1993, except those which would have been decreased
79 effective July 1, 1991, or July 1, 1992, shall be decreased. [To the extent
80 that the commissioner receives approval for a disproportionate share
81 exemption pursuant to federal regulations, the commissioner may
82 establish a rate cap for qualifying hospital outpatient clinics up to one

83 hundred seventy-five per cent of the combined average fee of the
84 general practitioner and specialist for an office visit according to the
85 fee schedule for practitioners of the healing arts approved under
86 section 4-67c.] Nothing contained [herein] in this subsection shall
87 authorize a payment by the state for such services to any hospital in
88 excess of the charges made by such hospital for comparable services to
89 the general public. For those outpatient hospital services paid on the
90 basis of a ratio of cost to charges, the ratios in effect June 30, 1991, shall
91 be reduced effective July 1, 1991, by the most recent annual increase in
92 the consumer price index for medical care. For those outpatient
93 hospital services paid on the basis of a ratio of cost to charges, the
94 ratios computed to be effective July 1, 1994, shall be reduced by the
95 most recent annual increase in the consumer price index for medical
96 care. The emergency room visit rates in effect June 30, 1994, shall
97 remain in effect through December 31, 1994. The Commissioner of
98 Social Services shall establish a fee schedule for outpatient hospital
99 services to be effective on and after January 1, 1995. Except with
100 respect to the rate periods beginning July 1, 1999, and July 1, 2000, such
101 fee schedule shall be adjusted annually beginning July 1, 1996, to
102 reflect necessary increases in the cost of services. For the rate period
103 beginning July 1, 2001, the commissioner shall establish and pay to
104 hospitals for all hospital outpatient services, except outpatient mental
105 health services and partial hospitalization services, hospital outpatient
106 rates by (1) determining the amount that would be payable to the
107 hospital in accordance with the methodology in effect for the rate
108 period beginning July 1, 2000, and (2) increasing such amount by
109 thirty-two and five-tenths per cent of the difference between such
110 amount and the hospital's current cost for the service as reported in the
111 hospital's most recently filed cost report adjusted by an inflation factor
112 for the intervening cost year or years equal to the Medicare market
113 basket inflation rate for each year as published in the previous
114 September Federal Register with the wage portion of such market
115 basket adjusted for the Hartford metropolitan statistical area. For
116 purposes of this subsection, determinations of hospital cost shall be

117 made using accepted Medicare cost-finding principles. For the rate
118 periods beginning July 1, 2002, and July 1, 2003, the commissioner shall
119 establish and pay such hospital outpatient rates using the
120 methodology specified in subdivisions (1) and (2) of this subsection for
121 the rate period beginning July 1, 2001, provided, the following
122 percentages shall be used for purposes of said subdivision (2) in
123 increasing amounts payable under such methodology to include a
124 greater proportion of the hospital's current cost: For the rate period
125 commencing July 1, 2002, such percentage shall be fifty-five and five-
126 tenths per cent and for the rate period commencing July 1, 2003, such
127 percentage shall be seventy-seven and five-tenths per cent. For the rate
128 period commencing July 1, 2004, and each succeeding rate period, the
129 rates established and paid by the commissioner for hospital outpatient
130 services shall be the hospital's current cost for such services as
131 determined in accordance with this subsection.

132 (e) The commissioner shall adopt regulations, in accordance with
133 the provisions of chapter 54, establishing criteria for defining
134 emergency and nonemergency visits to hospital emergency rooms. All
135 nonemergency visits to hospital emergency rooms shall be paid at the
136 hospital's outpatient clinic services rate. Nothing contained in this
137 subsection or the regulations adopted [hereunder] under this
138 subsection shall authorize a payment by the state for such services to
139 any hospital in excess of the charges made by such hospital for
140 comparable services to the general public.

141 (f) On and after October 1, 1984, the state shall pay to an acute care
142 general hospital for the inpatient care of a patient who no longer
143 requires acute care a rate determined by the following schedule: For
144 the first seven days following certification that the patient no longer
145 requires acute care the state shall pay the hospital at a rate of fifty per
146 cent of the hospital's actual cost; for the second seven-day period
147 following certification that the patient no longer requires acute care the
148 state shall pay seventy-five per cent of the hospital's actual cost; for the
149 third seven-day period following certification that the patient no

150 longer requires acute care and for any period of time thereafter, the
151 state shall pay the hospital at a rate of one hundred per cent of the
152 hospital's actual cost. On and after July 1, 1995, no payment shall be
153 made by the state to an acute care general hospital for the inpatient
154 care of a patient who no longer requires acute care and is eligible for
155 Medicare unless the hospital does not obtain reimbursement from
156 Medicare for that stay.

157 (g) Effective October 1, 1998, and annually thereafter until
158 September 30, 2001, the commissioner shall establish hospital inpatient
159 rates in accordance with the method specified in regulations adopted
160 pursuant to this section and applied for the rate period beginning
161 October 1, 1997, except that for the rate period beginning October 1,
162 1998, the commissioner shall apply a three per cent annual adjustment
163 factor to the target amount per discharge in lieu of the annual
164 adjustment factor, if any, used to determine rates for prospective
165 payment-system-exempt hospitals under the Medicare program, and
166 for succeeding rate periods the commissioner shall not apply an
167 annual adjustment factor.

168 (h) For the rate period beginning October 1, 2001, the commissioner
169 shall establish and pay to hospitals for inpatient services, subject to
170 final cost settlement, interim hospital inpatient rates by (1) determining
171 the amount that would be payable to the hospital as interim rates in
172 accordance with the methodology specified in regulations in effect for
173 the rate period beginning October 1, 2000, and (2) increasing such
174 amount by thirty-two and five-tenths per cent of the difference
175 between such amount and the hospital's projected cost for the rate
176 period beginning October 1, 2001, based on the hospital's most recently
177 filed cost report adjusted by an inflation factor for the intervening cost
178 year or years equal to the Medicare market basket inflation rate for
179 each year as published in the previous September Federal Register
180 with the wage portion of such market basket adjusted for the Hartford
181 metropolitan statistical area. Following the end of such rate period,
182 adjustments shall be made in accordance with a year-end settlement,

183 that shall be calculated based on the total payments that would be
 184 payable to the hospital in accordance with the methodology specified
 185 in regulations in effect for the rate period beginning October 1, 2000,
 186 increased by thirty-two and five-tenths per cent of the difference
 187 between such amount and the hospital's cost for such rate period as
 188 stated in the hospital's cost report completed for the rate period
 189 beginning October 1, 2001. For purposes of this subsection,
 190 determinations of hospital cost shall be made using accepted Medicare
 191 cost-finding principles. For the rate period beginning October 1, 2002,
 192 and each succeeding rate period, the commissioner shall establish and
 193 pay interim hospital inpatient rates and shall apply a year-end
 194 settlement using the methodology specified in this subsection for the
 195 rate period beginning October 1, 2001, provided, for both such interim
 196 rates and final settlement, the following percentages shall be used in
 197 increasing amounts payable under such methodology to include a
 198 greater proportion of the hospital's projected or reported cost: For the
 199 rate period beginning October 1, 2002, such percentage shall be fifty-
 200 five and five-tenths per cent; for the rate period beginning October 1,
 201 2003, such percentage shall be seventy-seven and five-tenths per cent
 202 and for the rate period beginning October 1, 2004, and each succeeding
 203 rate period, such percentage shall be one hundred per cent in order
 204 that both such interim rates and final settlement shall be based on the
 205 hospital's cost for such services as determined in accordance with this
 206 subsection.

207 Sec. 2. This act shall take effect from its passage.

Statement of Purpose:

To phase in increases in Medicaid inpatient and outpatient rates that will, at the end of four years, provide reimbursement to hospitals at a level of Medicare-recognized costs.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]